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Executive Registry

86- 1838

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25 April 1986

MEMORANDUM FOR THE RECORD

SUBJECT: Breakfast with Secretary and Deputy Secretary of Defense on
25 April 1986

1. The DCI discussed the stepping up of Soviet support for activities in Nicaragua, Afghanistan and Angola, noting the serious setback in Afghanistan, the possible arrival of a Soviet arms shipment at Corinto and preparation for the offensive in Angola. [REDACTED]

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4. The DCI described the new leaks mechanism that is being established, including the unit in the IC Staff, a strike force in the FBI, and willingness in Justice to go forward with investigations that might not lead to prosecutions but to administrative sanctions. He noted the five cases now pending where the news media were in violation of the SIGINT laws and observed that if we could not get Justice to go after these cases, all was lost. [REDACTED]

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5. DCI raised problems with the SIG-I, in particularly the IG on Countermeasures. He suggested dividing the IG on Countermeasures between Craig Alderman and Don Latham and both Weinberger and Taft endorsed the idea. [REDACTED]

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7. SecDef raised his concerns about the sale of supercomputers to India. There was agreement that this would probably be a mistake. [REDACTED]

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9. SecDef also raised his concern about the sale of some 80 helicopters to Hungary for so-called crop spraying. He noted that these were the same kinds of helicopters that were sold in North Korea and created such a ruckus with the South. [REDACTED]

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10. There was a brief discussion of a couple of vacancies on the NSC Staff and the desirability of filling them from DoD. [REDACTED]

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11. There was an extended discussion of COMEX with agreement that arrangements in which young US liberal arts students were sent to the Soviet Union and middle-aged Soviet scientists were sent here to study the most advanced technical topics was not acceptable. SecDef intends to find out who makes the decisions on these exchanges and try to block all Soviet students coming here to work on research in advanced or highly sophisticated scientific and technological subjects. I suggested that there is enough momentum at State and the NSC on this that such a frontal approach might not work and that we should, as an alternative, demand absolute reciprocity -- that is, we would allow one Soviet to come here and study advanced S&T subjects for every American that went to the Soviet Union to do the same. I suggested that very few Americans travel to the Soviet Union for this purpose and therefore we would be able to reduce significantly the number of Soviets coming here to study such issues. This more round-about approach did not seem as attractive to the SecDef as a frontal attack. It was agreed the subject would be discussed again next week when we would know more about how the decisions were made on the choice of students and subjects. [REDACTED]

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[REDACTED]
Robert M. Gates

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Distribution: (Entire Memo)

Original- D/Exec Staff

- 1 - DCI
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- 1 - EXDIR (Eyes Only)
- 1 - DDI (Eyes Only)
- 1 - DDO (Eyes Only)
- 1 - ES

C/Secom - Paragraph #4

D/OS - Paragraph #4

GC - Paragraph #4

C/TTAC - Paragraphs #6, 7, 8, 9 & 11

C/CRES - Paragraph #6

D/NESA - Paragraph #7

D/OEA - Paragraph #8

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24 April 1986

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: SA/DCI

SUBJECT: Meeting with Secretary and Deputy Secretary of Defense,
25 April 1986

1. You are scheduled to breakfast with Secretary of Defense Weinberger and Deputy Secretary Taft at 0730 at the Pentagon.

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TAB B Internal Situation in Libya. This TAB contains talking points from DI/NESA re the above subject. The situation in Libya appears to be returning to normal, even though Qadhafi's low profile suggests he continues to concentrate on internal matters. The bleak economic outlook and signs of growing West European solidarity with the U.S. with regard to Libya will complicate the government's ability to focus attention on the U.S. threat and rally popular support.

You will recall the report from yesterday indicating that, while Qadhafi was originally surprised and shaken at the U.S. attack, he and other Libyan leaders were even more surprised at the relative lack of severity of the attack. The indications from that report are that the Libyans will continue to target terrorist attacks against U.S. interests.

TAB C Libyan Target Nominations. This TAB contains a list of targets proposed by DI/NESA for any future U.S. air strikes against Libya. They are specifically selected because of their association with Qadhafi personally and his regime -- therefore, their destruction would have a dramatic effect on the Libyan military and Libyan population.

TAB D Biennial Budgeting. You will recall from last week's staff meeting (15 April) you tasked D/ICS to prepare a draft letter to congressional leadership for your, SecDef's and D/OMB's joint signature. The letter was to raise the subject of meshing Congressional appropriations procedures with the new requirement to prepare defense budgets on a two-year cycle. You also indicated your intention to raise this matter with the Secretary of Defense at the next breakfast.

At this TAB I have included a memo from D/ICS outlining his position on the subject. He believes that this issue will not prove unduly troublesome, and in fact the petitions for biennial budgeting from individual senior administration officials will have little effect on the appropriations committees. Therefore, he has prepared a letter for you alone to sign addressed to the Director of OMB indicating your support for the biennial budget concept and recommending that the administration seek agreement with Congress on this issue. Adm. Burkhalter takes the position that the Secretary of Defense is already on board and therefore would not likely agree to any joint letter.

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The Comptroller has obtained a copy of the 1 April report from the SecDef to the Senate Armed Services Committee in which DoD apparently waffles on the two-year budget -- but it nonetheless makes the point that a direct two-year budget (both authorization and appropriation) makes sense, but a combination of two-year authorization and one-year appropriation does not. DoD has been talking only to the Armed Services and Appropriations committees re this issue, not the HPSCI or SSCI.

By 1 July the DCI must submit a report on our views (including DoD) of the two-year budget to the HPSCI and SSCI. The Comptroller believes this report could be accomplished by means of the letter discussed at the 15 April staff meeting.

The Comptroller disagrees with the IC Staff concerning the trouble with the two-year budget as follows:

- CIA will have more trouble than most.
- We have begun to think about the problem earlier than others in the community.
- Everyone except the NRP will have some trouble with the two-year budget.

I have included the folder from D/ICS with his recommended letter separately from this briefing book.

TAB E

COMEX Review of Soviet Applicants for IREX Program.

According to DoD the SecDef may raise this issue with you. Basically the DoD representatives on the COMEX believe that all Soviet S&T types should be turned down in the IREX review process because of the risk of technology loss through these individuals.

The intelligence community believes that this is only one criterion for approving/disapproving these applicants. The community believes that the potential for positive intelligence gained from these individuals is also a criterion that must be weighed and, where that gain is strong, these individuals should be approved.

TAB F

Export of Supercomputers to India. DoD apparently intends to raise this issue with you as well. This TAB contains talking points from DI/TTAC providing background on this issue.



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Talking Points for the DCI

24 April 1986

The Internal Situation in Libya

The situation in Libya appears to be returning to normal, even though Qadhafi's low profile suggests he continues to concentrate on internal matters. The bleak economic outlook and signs of growing West European solidarity with the US with regard to Libya will complicate the government's ability to focus attention on the US threat and rally popular support.

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- Qadhafi continues to meet with foreign leaders and delegations, although he has kept public appearances to a minimum. There is little evidence that Qadhafi is suffering physical or psychological distress.

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Uncertainty within the regime also is reflected in its treatment of foreign journalists and diplomats.

- The government vacillated in following through on its announcement to a gathering of about 300 foreign journalists yesterday that they must leave the country immediately.

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- Although the government has threatened to retaliate for new restrictions on resident Libyans by EC governments, it would not want to take actions which support Washington's diplomatic efforts in Western Europe to undercut Tripoli. [REDACTED]

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Economic Update

US sanctions so far have had a varying impact on the Libyan economy.

- The freeze on Libyan financial assets has had the greatest impact. Libya lost access to as much as \$800 million of its \$6.0 billion in foreign exchange reserves. Remaining liquid reserves are sufficient to cover 6 months of imports.
- We estimate that Libya has boosted its crude oil exports to 1.2 million barrels per day, slightly above the level current in early January 1986. Domestic oil workers and foreign workers probably can maintain production or even increase oil production.
- Qadhafi has taken no significant action against US or British workers in response to US air strikes and has attempted to dispell latent fears in the foreign community to retain their badly needed expertise. US service companies and most US technicians reportedly are being replaced by firms and personnel from the United Kingdom, Canada, France, and West Germany.
- [REDACTED] food lines are growing longer and more contentious as people search for basic staples. Hoarding has become a way of life for most and a thriving black market has evolved, despite government efforts to suppress such activity. 25X1
- The quality of health care and education, hallmarks of Qadhafi's revolution, has fallen off sharply leading most Libyans to agree that Qadhafi's economic policies are a failure. Radical changes in university curriculums have recently resulted in student unrest at some campuses.
- The regime has consolidated its control over the economy by reducing by half the number of government ministries--including the Petroleum Ministry--and transferring these duties to loyal, though less competent managers. 25X1

Soft oil market conditions pose the greatest threat to the economy and probably the regime. Tripoli loses \$440 million annually for each one dollar decline in oil prices at current export levels. Conversely, every 100,000-b/d drop in oil exports cost the regime \$730 million at a \$20 per barrel price.

- An average price of \$15 per barrel would force Tripoli to make difficult and risky political choices. Necessary cuts in imports almost certainly would hit both civilian consumer goods and military equipment as

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well as priority projects. Unconfirmed reports say the regime may cut imports by half to conserve foreign exchange.

- Declining oil revenues will hinder Tripoli's ability to repay some \$4 billion in arrears owed to major trade partners in Western Europe and to maintain Libya's oil-for-arms barter arrangement with the USSR. [REDACTED]

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DCI/ICS 86-3698

23 April 1986

MEMORANDUM FOR: Director of Central Intelligence
VIA: Deputy Director of Central Intelligence
FROM: Director, Intelligence Community Staff
SUBJECT: Biennial Budgeting

1. Action Requested: That you sign the attached letter to Mr. James C. Miller, III, Director, Office of Management and Budget, indicating your support for the biennial budgeting concept and recommending that the administration seek to obtain agreement with Congress on this issue. []

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2. Background: The Defense Authorization Committees in the FY 1986 Defense Authorization Act (P.L. 99-145) have directed that "...for fiscal year 1988 a single proposed budget for the Department of Defense and related agencies for fiscal years 1988 and 1989." The Appropriations Committees, however, have not approved this direction. Nevertheless, despite the lack of unanimous Congressional approval, the Secretary of Defense intends to submit a biennial Defense budget covering both FY 1988 and FY 1989. This "first" biennial budget will reflect separate and distinct values for each year to accommodate the Appropriations Committees. Only in the event that there were full Congressional agreement on rolling the FY 1988 and FY 1989 Defense funding requirements together would Defense be in a position to consider combining two fiscal years in any manner. []

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3. The NFIP components within the Department of Defense have made multiyear programming an integral part of their programming and budgeting process and routinely provide five-year estimates (budget year plus four) for our NFIP process. Consequently, NFIP should have little trouble with biennial budgeting. (NFIP components outside the Defense budget--State/INR, DOE, Treasury, FBI, and ICS--would continue on a one-year cycle.) Some programs will find the transition easier than others. The CCP and GDIP, who have been playing the FYDP game for quite a while, are expected to have little trouble. Others, such as the CIAP, will have more difficulty as historically they have focused their process on the budget year. []

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SUBJECT: Biennial Budgeting

4. On balance, while the new budgeting procedure will have some impact on the form and substance of NFIP budget submissions, and may cause some reduction in our flexibility to react to unforeseen changes in the world environment, it should simplify the currently lengthy and time-consuming budget process and allow both Congress and the Executive Branch more time to focus on policy issues. It, therefore, deserves your support. [redacted]

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5. In view of the intransigence of the Appropriations Committees on this issue, petitions for biennial budgeting from individual senior administration managers most likely will have little effect. A more profitable course of action would be for the administration overall to request full Congressional agreement. The attached letter to the Director, Office of Management and Budget, proposes such a course of action, and I recommend it for your signature. [redacted]

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[redacted]
E. A. Burkhalter, Jr.
Vice Admiral, USN

Attachment:
Ltr to D/OMB for signature

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Background on IREX

- The IREX program is a 25-year old program to exchange young US-USSR researchers and scholars (averaging 35-37 years old) who spend eight months to one year working in the host's facilities in their area of expertise.
- Many of the Soviet participants are co-opted for intelligence collection or are KGB officers on familiarization tours.
- The Committee on Exchanges (COMEX) advises the Department of State from an intelligence viewpoint on whether IREX candidates should be accepted or rejected.
- The two factors considered by COMEX are possible technology loss and possible intelligence and/or technology gain from the exchange.
- Representatives of the Office of the Secretary of Defense have been taking a firm position that accepting any candidates in technical fields is an impermissible threat to US interest.
- OSD has not received support in COMEX for this position, even from such DoD elements as the military services and DDR&E.
- Disagreement has arisen in COMEX over the potential benefit of allowing the exchanges to occur.
- CIA as well as the entire committee except OSD, takes the position that the damage that the exchanged Soviets might do can be limited by means of restrictions on the individuals' programs [REDACTED]

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Meeting with Secretary and Deputy Secretary

of Defense

25 April 1986

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